

This month's TrustINDiana Newsletter features a Q&A with Cutwater Asset Management's Chief Executive Officer and Chief Investment Officer, Cliff Corso, about the benefits of using commercial paper in Local Government Investment Pools (LGIPs).



Cliff Corso
Chief Executive Officer,
Cutwater Asset Management

What is commercial paper?

Commercial paper (CP) is a traditional short-term money market instrument typically issued by highly-rated major corporations or large not-for-profit entities with a maturity of 1 to 270 days. It is issued in order for these entities to meet short-term financial and cash flow obligations, such as payroll, product transportation, and other operating expenses. It is not issued to finance long-term investments. Although it is not backed by tangible collateral, it is issued only by financially sound, highly rated companies, which means CP is widely considered to be a safe investing instrument and defaults on CP are extremely rare. Many common A-1/P-1 commercial paper issuers are household names, such as Wal-Mart, IBM, Pepsico, and General Electric.

"CP is one of the engines or even the life blood of our economy."

Some kinds of CP, notably asset-backed commercial paper (ABCP), are backed by collateral. ABCP is issued by a special purpose vehicle typically sponsored and managed by a bank or other financial institution. Some typical bank sponsors are Bank of America, Wachovia, and JP Morgan. The assets that support the ABCP are generally asset-backed

securities or credit lines that are in turn collateralized by a pool of financial receivables. These receivables potentially include, for example, consumer auto loans, credit card receivables, student loans, mortgage loans or other consumer debt, corporate receivables, or other financial obligations. These underlying pools generally benefit from features such as excess collateral requirements, reserve accounts, and other protection for the ABCP vehicle.

What are the benefits of adding commercial paper to a portfolio?

Commercial paper typically offers more yield than other short-term securities, and since it matures at a maximum of nine months, one does not have to sacrifice liquidity by investing in highly-rated CP. Furthermore, investors can benefit from the historic safety of CP, where in this low-rate environment, every bit of additional yield helps, and CP can be a good way to mitigate the effects low short-term treasury yields have on LGIPs. More broadly, though, it is useful to look at CP as one of the engines or even as the life blood of our economy. By issuing CP, companies and other entities can continue to meet their short term obligations while using their capital for longer-term investments. It's a mutually beneficial relationship: investors have a safe investment instrument with higher yields, while firms and organizations can meet essential operating costs with ease and flexibility. Without CP, many of America's largest companies would have to use other funds for day-to-day operating expenses, thus hindering their ability for expansion, growth, and capital expenditures.

What is Cutwater's view of investing in commercial paper?

Cutwater views commercial paper as a valuable and important investment tool for short-term investing and local government investment pools. LGIPs administered by Cutwater have long benefited from the value we bring as an experienced institutional investor in the commercial paper markets. Cutwater has a seasoned credit team and we select and monitor CP issuers closely as part of our investment process. We actively manage our approved list to anticipate potential rating or credit challenges to an issuer. Due largely to our experience, we believe we are able to obtain optimal balance in terms of CP allocations in the portfolio. Although we have a very positive view of the value of adding CP, we are always careful not to overweight the portfolio. Diversity of investments is what allows us to remain true to the TrustINDiana principles of maintaining safety and liquidity, while still generating yield.

Why should TrustINDiana buy commercial paper?

Well, as I noted earlier, commercial paper generates higher yield than many other short-term securities, and more importantly for TrustINDiana, it can be a safe way to invest. Remember, in spite of the severe downturn in the economy and the stress on both

"Without CP, many of America's largest companies would have to use other funds for day-to-day expenses, hindering their ability to grow."

consumer and corporate borrowers, CP defaults remain rare. That's not to say that investing in CP is risk free, which is why an independent credit team such as Cutwater's vets each and every security regularly. Amidst market turmoil and uncertainty an experienced asset manager like Cutwater can mitigate the unlikely negative exposure to CP or the rare occurrence of a default. As a case in point, in close to 20 years of commercial paper investing, no Cutwater-managed investment portfolio has ever been frozen or experienced a "break the buck" scenario that has unfortunately played out in other markets and companies during unpredictable times.* Since these valued and highly-rated investment instruments are permissible for TrustINDiana under Indiana law, we believe that with Cutwater's oversight, commercial paper investing continues to be a great value-added element to your investment portfolio.

**Past performance is not a guarantee for future results.*

Did You Know?

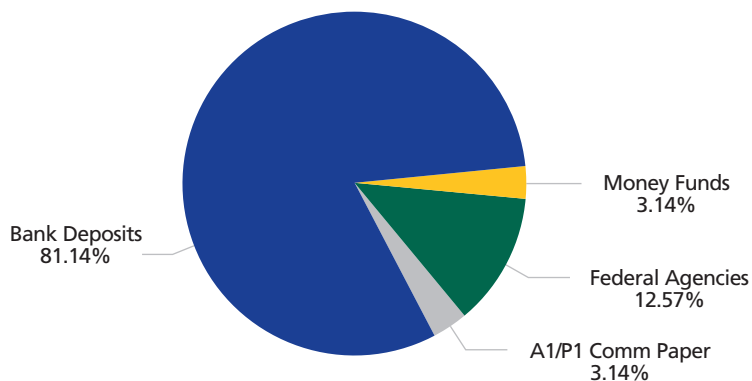
According to Standard & Poor's:

- The short-term corporate market is generally regarded as a bastion of stability, with a low incidence of defaults.
- During 2008-2009, the global average default rate over the 30-day horizon was as follows: 'A-1+' (0 %), 'A-1' (0.024%), 'A-2' (0.018%), and 'A-3' (0.866%).
- When defaults do occur, it is often long after a company's credit quality has declined past the point of where it could issue commercial paper.

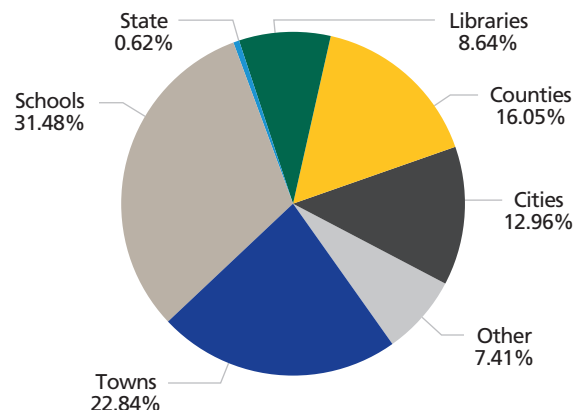
Source: Standard & Poor's Global Credit Portal; May 20, 2010.x

Fund Highlights as of August 31, 2010:

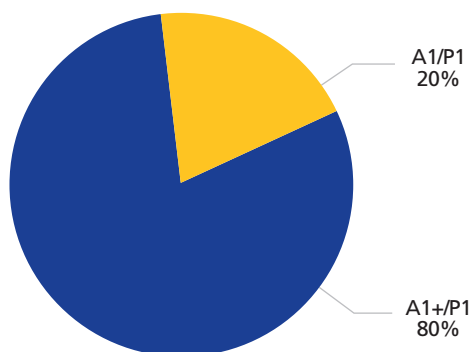
Portfolio Composition



Participant Breakdown (in units)

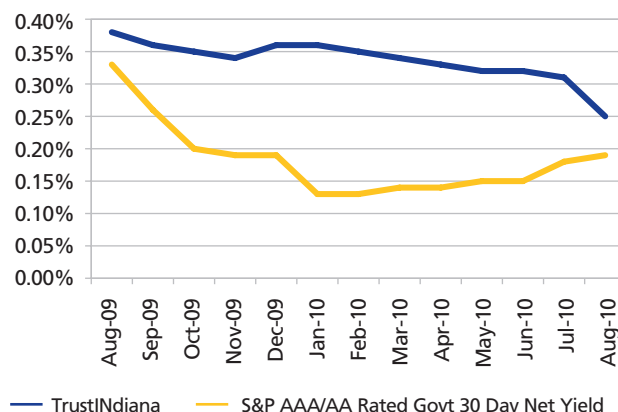


Investment Credit Quality



TrustIndiana vs S&P AAA/AA GIP

(30 Day Avg Yields)



Month	Avg Daily Yields	WAM	NAV	Month Ending Net Assets
May-10	0.32%	32 Days	1.0000	\$680,946,651
Jun-10	0.32%	30 Days	1.0000	\$592,100,321
Jul-10	0.31%	29 Days	1.0000	\$633,812,898
Aug-10	0.25%	29 Days	1.0000	\$636,037,175



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